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RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEHNSC/NATIONAL SECURITY COUNCIL WASHINGTON DC

UNCLAS SECTION 01 OF 02 HANOI 002538

SIPDIS

STATE FOR S, E, EAP/MLS AND EB/TPP/BTA/ANA
STATE PASS USTR DAVID BISBEE AND JONATHAN MCHALE
COMMERCE FOR 4431/MAC/AP/OPB/VLC/HPPHO
TREASURY FOR OASIA

SENSITIVE BUT UNCLASSIFIED
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [WTRO](#) [VM](#)

SUBJECT: Ministry of Trade Conveys Oral Points on PNTR Deal re:
Textiles

REF: HANOI 02513

SENSITIVE - DO NOT POST ON INTERNET

11. (SBU) Summary: On October 4, the Vice Minister of Trade Luong Van Tu called in the CDA to convey orally the contents of a draft letter from Minister of Trade Tuyen to Secretary Gutierrez and USTR Schwab protesting the "mechanism" on textiles and apparel outlined in their letter to Senators Dole and Graham. In the letter, the MOT argues that first, the mechanism in practice discriminates against Vietnam in violation of WTO rules; second, it creates uncertainty for importers of Vietnamese textiles/apparel, effectively inducing them to observe a voluntary quota system in some respects worse than a formal one; and third, it deprives Vietnam of its "only direct benefit from WTO accession" and breaks the delicate balance of concessions in the bilateral agreement. The letter urges USTR to withdraw the mechanism and remove the discriminatory treatment of Vietnam. Vice Minister Tu confirmed that the letter had not been sent and would not be sent until the Ministry had heard from the U.S. side. End Summary.

12. (SBU) On October 4, Vice Minister of Trade Luong Van Tu called in the CDA to convey orally the contents of a letter to Commerce Secretary Gutierrez and USTR Schwab concerning the "arrangement"

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between USTR and Senators Dole and Graham on Vietnamese textile imports to the United States. Earlier, Minister of Trade Tuyen had convoked the CDA on September 29 to express Vietnam's initial concerns, saying that Vietnam had prepared a letter of protest (reftel). Since that meeting, we have been providing points clarifying the U.S. position. There have also been exchanges telephone between USTR and the GVN. In these exchanges, we advised against Vietnam initiating an exchange of formal letters.

12. (SBU) Tu opened the October 4 meeting in a serious but low key manner. He referred to the rapid development of the U.S.-Vietnamese bilateral relationship over the past few years and expressed his personal regard for his colleagues in USTR. He said that Minister Tuyen, in consideration of the U.S. side's request to be informed in advance of the contents of any proposed formal letter, had asked him to hold the meeting with the CDA. He then read a draft letter from Minister Tuyen to Commerce Secretary Gutierrez and USTR Schwab.

13. (SBU) Summary of letter:

Allow me to share our concerns regarding your letter to Senators Dole and Graham. Thank you for the good will and cooperation from the United States during the WTO negotiations and thank you for your efforts to smooth the way for a favorable vote on PNTR. However, the contents of your letter (to Senator's Dole and Graham) raise deep concerns.

First, the mechanism proposed in practice discriminates against Vietnamese exports and as such is counter to WTO's non-discrimination principles.

Second, the mechanism causes uncertainty for U.S. importers of Vietnamese textiles and apparel and will force them to voluntarily restrain imports, in effect creating a voluntary quota system that is in some respects worse than a formal quota system, since no one knows what amount of textiles/apparel is safe to export. The lack of consultation is regrettable.

Third, the only direct benefit to Vietnam from WTO and PNTR is the ability to export textiles/apparel to the United States without quota restrictions. Vietnam does not want to join WTO only to see voluntary quotas continue. However, in deference to U.S. concerns, Vietnam agreed to a special mechanism for textiles and apparel in the bilateral market access agreement. This mechanism and other concessions, represents a balance of concessions. Tuyen personally believes that the additional mechanism breaks this balance.

(Tuyen) urges Secretary Gutierrez and USTR Schwab to withdraw the mechanism and to do all they can to delete its discriminatory provisions. He looks forward to a positive response.

End summary of letter.

14. (SBU) The CDA assured the Vice Minister that he would promptly convey his points and the contents of the draft letter to Washington

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and thanked him for sharing the letter and seeking comment. Tu assured him that the letter had not been sent and would not be sent until MOT heard from Washington. The CDA reiterated the letter from Secretary Gutierrez and USTR Schwab to Senators Dole and Graham did

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not create a new "mechanism." He noted that USTR is working with U.S. apparel importers to address concerns. Tu thanked the CDA and repeated three points: the Ministry would not send the letter until it received feedback from the U.S. side; Vietnam does not want a new mechanism; and he and Minister Tuyen understood that USTR is "working hard." He closed saying that he looked forward to a positive response from the United States.

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